



# Monthly Bulletin

**Volume 12, Number 9**

**March 2009**

## Senate Confirms Commissioner William S. Haraf

William S. Haraf was confirmed by the California State Senate as Commissioner of Financial Institutions on March 23, 2009. The California Senate Rules Committee voted 5-0 in support of his confirmation on March 4, 2009. Governor Schwarzenegger appointed Haraf as Commissioner effective March 10, 2008 and he was sworn in by Business, Transportation and Housing Agency Secretary Dale E. Bonner on April 8, 2008.

## Message from the Commissioner

April 7, 2009

To: California State Chartered Financial Institutions

From: William S. Haraf, Commissioner of Financial Institutions

Re: My Confirmation and the Challenges Ahead

Hello Everyone,

I was honored to be confirmed by the California State Senate as Commissioner of Financial Institutions on March 23, 2009. Since my confirmation hearing, I have been very focused on the work ahead of us at the Department of Financial Institutions and the many challenges our licensees are facing in these difficult economic times.

Not the least of these challenges is restoring trust in financial institutions and in the oversight provided by the regulatory system in the United States. Trust in the corporate governance and risk management programs of the largest financial institutions in the country has been severely damaged. Rightly or wrongly, some of that loss of trust has spilled over to the state system of which we are all a part.

45 Fremont Street, Suite 1700, San Francisco, CA 94105-2219  
300 South Spring Street, Suite 15513, Los Angeles, CA 90013-1204  
1810—13<sup>th</sup> Street, Sacramento, CA 95811  
7575 Metropolitan Drive, Suite 108, San Diego, CA 92108-4421  
Consumer Compliance

(415) 263-8500  
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(800) 622-0620

In my prior letter to all of you, I suggested that community-based and relationship-based financial institutions, such as the banks and credit unions we supervise, would emerge from the current crisis stronger than ever as “back to basics” financial services providers regained momentum. I continue to believe this will be the case. However, for our system to retake the high ground, it is up to all of us – all of you and all of us at DFI – to keep earning the trust of the communities we serve and the trust of the citizens of California. I look forward to working with you toward that end.

Sincerely,

William S. Haraf, Commissioner  
Department of Financial Institutions  
45 Fremont Street, Suite 1700  
San Francisco, CA 94105-2219  
415.263.8507; [wharaf@dfi.ca.gov](mailto:wharaf@dfi.ca.gov)

## DFI Non-Traditional Mortgage Report Shows Limited Licensee Participation

In January 2009 the DFI requested that all California state-chartered credit unions and commercial banks submit a special report regarding residential mortgage portfolios. The report requested information on conventional and non-traditional mortgages held or serviced, as well as delinquencies, modifications, and foreclosures from the first through third quarters of 2008. The results from the report are an important tool that assists the DFI to maintain current and relevant information on the real estate loan portfolios of licensees and to assess the potential effects of any proposed regulatory or statutory changes at the federal and/or state level on DFI licensees.

It is estimated that the total outstanding balance of residential mortgages in California is approximately \$2 trillion on approximately six million loans held or serviced\*. Results of the residential mortgage survey show DFI chartered banks’ and credit unions’ total conventional and non-traditional mortgage portfolio balances held or serviced to be approximately \$37.6 billion on approximately 160,000 loans, which account for approximately 2.7% of all residential mortgage loan balances and approximately 1.9% of the total number of residential mortgage loans held or serviced in California. The foreclosure rate during the first three quarters of 2008 was approximately 0.2% for both conventional and non-traditional mortgages held. The modification rate overall during the first three quarters of 2008 was 0.6% of all conventional and non-traditional mortgages held. More detailed results regarding licensee exposure in the non-traditional mortgage market can be found under the “Resources” tab on the DFI website or by clicking [here](#).

The DFI greatly appreciates the efforts of those licensees that submitted the report as requested. The report incorporates responses from 383 licensees, representing 92% of all state-chartered banks and credit unions.

*\* This estimation provided by the California Department of Corporations and is based on data from 2001 – 2007.*

## Record Number to Attend Money Transmitter Five-Day Operations School in San Francisco

A record number of examiners have registered to attend the Money Transmitter Regulators Association's ("MTRA") five-day Operations School in San Francisco, California from March 30 - April 3, 2009. This five day, hands-on course will be the largest ever, with 57 attendees from 20 states including Alaska and Hawaii. Over 20 examiners from the California DFI will attend. The School is designed to help examiners gain an understanding of a money transmitter's operations, from receipt of money to the delivery of the funds to recipients, with special emphasis on the foreign currency function. Other operations topics covered are a money transmitter's agent operations, IT system and related internal control risks. This school will also include an in-depth introduction to the money transmission industry, as well as AML/BSA compliance and safety and soundness issues, including financial statement and permissible investments analysis. Interactive class exercises and case studies will give the students an opportunity to apply the concepts presented at this school.

The Department of Financial Institutions is a founding member MTRA, and actively participates on its board of directors and on various MTRA committees.

## Governor Schwarzenegger proclaims April as California Financial Literacy Month

*"During these rapidly changing and challenging economic conditions, it is more important than ever that consumers have the tools they need to make wise choices that will help them improve their financial well-being."* – Governor Arnold Schwarzenegger

To that end, California observes Financial Literacy Month each April, where educational and financial institutions, government entities and community-based organizations work together to help families make better decisions about their finances. <http://gov.ca.gov/proclamation/11840/>

On April 20, 2009, DFI is participating in the 2009 Financial Literacy and Education Summit, Global Best Practices in Financial Education, hosted by the Federal Reserve Bank of Chicago. The Summit will convene fellow public policy, NGO and private sector experts to discuss how to address the significant global economic challenges facing people of all ages around the world. The goal of this year's Summit is to examine how various regions of the world approach financial education and how, in light of the global crisis, we can apply best practices in making sure that consumers have the necessary tools and resources to make wise financial decisions. To register:

<http://www.practicalmoneyskills.com/summit2009/registration.php>.

DFI will participate in the 13th annual Teach Children to Save Day, April 21, an event held in April where bankers visit local classrooms to teach the value of saving. Teach Children to Save Day brings students and bankers together to increase savings education. This year the ABA Education Foundation is calling on bankers to accept the Million Child Challenge

<http://www.aba.com/ABAEF/MillionChildChallenge.htm> and reach 1 million students with a Teach Children to Save lesson. This is an ambitious goal, but with 20,000 bankers – or 10 percent of the industry – teaching 50 students each, we will meet our challenge. Teach Children to Save Day was

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started by the ABA Education Foundation in 1997. More than 60,000 bankers have reached some 2.8 million young people. Teach Children to Save FAQs: <http://www.aba.com/ABAEF/TCTSFAQs.htm>.

For more information on how you can participate and support financial literacy efforts, see the DFI California Financial Literacy Month Web site: <http://www.dfi.ca.gov/cflm/default.asp>.

## DFI Participates in "Bank on Los Angeles" Event

DFI participated in the launch of "Bank on Los Angeles" on March 24, part of the Bank on California initiative aimed at helping 10,000 low-income households open bank accounts at mainstream financial institutions every year. Los Angeles Mayor Antonio Villaraigosa told the audience nearly 300,000 households in Los Angeles do not have checking or savings accounts, and a single household spends up to \$1,000 a year in check cashing fees and other transactions.

The following financial institutions have partnered with Bank on L.A.

- Bank of America
- Bank of the West
- Broadway Federal Bank
- California Bank & Trust
- Cathay Bank
- Citibank
- City National Bank
- E1 Financial Credit Union
- East West Bank
- First City Credit Union
- Hanmi Bank
- JPMorgan Chase/WAMU
- Kinecta Federal Credit Union
- Union Bank of California
- US Bank
- United Commercial Bank
- Water and Power Credit Union
- Wells Fargo/Wachovia
- Wescom Credit Union
- Wilshire State Bank

Bank on L.A. has also partnered with several community-based neighborhood organizations to help households learn about bank account options that meet their specific needs and answer their questions and walk them through each step of the process. In addition, free classes and workshops will help families achieve financial freedom by helping them establish financial goals, learn to manage a budget, get out of debt, and many other financial topics.

DFI encourages banks and credit unions to participate in "Bank on California" and the regional initiatives, including Bank on Los Angeles. To learn more, visit the DFI's Web site: <http://www.dfi.ca.gov/resources/bankoncalifornia.asp>

## DFI Participates in “Call to Action”—Elder Financial Protection Network Event

DFI participated in the fifth annual "Call to Action" event hosted by the Elder Financial Protection Network (EFPN) on March 26, 2009 in San Francisco. "Call to Action" addressed the current economic crisis and its effects on California's senior community. The event was attended by representatives from financial institutions, law enforcement, adult social service agencies, the professional legal community, and government authorities.

The conference brought key experts together with community advocates to discuss efforts to stop the growing crime of elder financial abuse. Jaqueline Wiley, California Department of Corporations presented information on the Seniors Against Investment Fraud program. Michael Lafferty, California Department of Consumer Affairs (DCA) shared the "Senior Scambuster Kit", which includes consumer information for seniors on their current outreach campaigns, including ["Take Charge"](#) - a consumer education and empowerment campaign to help Californians understand their consumer rights and responsibilities and make informed and appropriate choices and the boards and commissions that are regulated by DCA including [Contractors State License Board](#) and the [Professional Fiduciaries Bureau](#).

EFPN presented awards to leaders in the fight against elder financial abuse. This year's recipients were Steven Reiss, Esq., San Francisco; Star One Credit Union, Santa Clara; Tristan Svare, Deputy DA, San Bernardino; and the Solano Financial Abuse Specialist Team (FAST).

EFPN was formed to address the growing problem of financial abuse of elders and dependent adults and to marshal interdisciplinary forces for their protection. For information, visit [www.bewiseonline.org](http://www.bewiseonline.org).

## Commercial Bank Activity

### Acquisition of Control

Allan W. Arendsee, to acquire control of Seacoast Commerce Bank

Filed: 3/5/09

Approved: 3/19/09

### Purchase of Partial Business Unit

Bay Commercial Bank, Walnut Creek, to acquire the Castro Valley Branch of Community Banks of Northern California, Tracy

Filed: 3/4/09

## Premium Finance Company Activity

### **New Premium Finance Company**

Bulldog Premium Finance of California, Inc.  
8530 La Mesa Boulevard, La Mesa, San Diego County  
Opened: 3/27/09

### **Voluntary Surrender of License**

Oasis Financial Services, Inc.  
Notified: 3/26/09  
Effectuated: 3/26/09

## Credit Union Activity

### **Merger**

Community Trust Credit Union, Modesto, California to merge with and into Self-Help Federal Credit Union, Durham, North Carolina  
Filed: 2/19/09

Steinbeck Credit Union, Salinas, to merge with and into Golden 1 Credit Union, Sacramento  
Filed: 3/18/09  
Approved: 3/25/09

Yamaha Employees Federal Credit Union, Buena Park, to merge with and into California Agribusiness Credit Union, Buena Park  
Filed: 3/30/09

### **Conversion to Federal Charter**

Ocean Crest Credit Union, Signal Hill, to convert to federal charter under the name Ocean Crest Federal Credit Union  
Effectuated: 2/3/09

### **Voluntary Surrender of License**

Southern California Latvian Credit Union, Covina  
Effectuated: 1/16/09

## Foreign (Other Nation) Bank Activity

### New Office

The Bank of Nova Scotia  
580 California Street, City and County of San Francisco (Representative Office)  
Filed: 3/23/09

### Discontinuance

The Bank of Nova Scotia  
580 California Street, City and County of San Francisco (Depository Agency Office)  
Filed: 3/23/09

### Voluntary Surrender of License

DEPFA Bank plc  
Esquire Plaza, 1215 K Street, City and County of Sacramento (Representative Office)  
Notified: 3/12/09  
Effectuated: 3/4/09

Governor and Company of the Bank of Ireland, The  
10250 Constellation Boulevard, City and County of Los Angeles (Representative Office)  
Notified: 2/25/09  
Effectuated: 3/31/09

KBC Bank NV  
515 South Figueroa Street, City and County of Los Angeles (Representative Office)  
Notified: 3/25/09

## Foreign (Other State) Bank Activity

### New Facility

Evolve Bank and Trust (Facility – Insured Bank)  
29122 Rancho Viejo Road, San Juan Capistrano, Orange County  
Notified: 3/13/09

Goldman Sachs Bank USA (Facility – Insured Bank)  
555 California Street, City and County of San Francisco  
Notified: 3/18/09

**Discontinuance**

Modern Bank, N.A.  
9595 Wilshire Boulevard, Beverly Hills, Los Angeles County  
Notified: 3/23/09  
Discontinued: 3/16/09

## **Transmitter of Money Abroad Activity**

**New Transmitter**

Hong Lan Services, Inc.  
Filed: 3/23/09

Tempo Financial U.S. Corporation  
Approved: 3/19/09

**Acquisition of Control**

Frederick Locsin, to acquire control of Dollar America Exchange, Inc.  
Filed: 1/7/08  
Approved: 10/8/08

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WILLIAM S. HARAF  
Commissioner of Financial Institutions

Bulletin for Month ended  
March 2009, issued pursuant  
to Financial Code section 258

